

04-28-05

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

PUBLIC UTILITIES  
COMMISSION

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	PUBLIC UTILITIES COMMISSION		)	DOCKET NO. 03-0372
			)	
	Instituting a Proceeding to Investigate		)	
	Competitive Bidding for New Generating		)	
	Capacity in Hawaii.		)	
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HAWAII RENEWABLE ENERGY ALLIANCE  
INFORMATION REQUESTS TO THE COUNTY OF MAUI  
AND  
RESPONSE TO INFORMATION REQUESTS FROM HECO  
AND  
CERTIFICATE OF SERVICE

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OF THE STATE OF HAWAII

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**I. INTRODUCTION AND SUMMARY**

In accordance with Public Utilities Commission's (PUC's) Prehearing Order No. 20923, dated April 23, 2004, the Hawaii Renewable Energy Alliance (HREA) submitted Information Requests (IRs) to the County of Maui on April 4, 2005, and hereby submits our response to IRs, submitted by HECO on April 4, 2005 on our Preliminary Statement of Position, which was submitted to the PUC and Parties on March 14, 2005. We discuss our IRs to the County of Maui in Section II, and our response to HECO's IRs in Section III.

**II. HREA IRs to the County of Maui**

HREA hereby withdraws its IRs to the County of Maui, dated April 4, 2005.

**III. HREA's Response to HECO IRs**

**HECO/HREA-IR-1 Ref: HREA Preliminary SOP, pages 3 and 4.**

**Please confirm or clarify the following: HREA considers the Hamakua Energy Partners plant to be "Decentralized Generation", while "Hilo's" plant is "Central Generation", because the Hamakua Energy Partners plant is closer to the load center.**

HREA Response: The definition HREA proposed for "Decentralized Generation" is:

Decentralized generation (DCG) is facilities (fossil and renewable) that are generally larger than 10 MW and are interconnected to the grid at transmission or sub-transmission voltages. DCG are typically sited to be *closer to new load centers* than CG. Examples of DCG are the Honolulu Power Plant on Oahu; Hamakua Energy Partners and the proposed 20 MW South Point windfarm on Hawaii; and the proposed 30 MW Kaheawa Pastures windfarm on Maui. (Reference: page 4 of our PSOP).

1 In response, we understand that new load growth is occurring in the Kailua-Kona to South  
2 Kohala area on the Big Island. Hamakua Energy Partners is located closer to this new load  
3 growth than the Hilo powerplants. Note: perhaps when the Keahole facility was built at a time  
4 when new load growth was occurring in Kona, it could have been considered a DCG.

5 In any case, we believe it is important to distinguish DCG (including windfarms and other  
6 larger, dispersed generation that is not considered DG) from CG in recognizing the benefits of  
7 locating generation closer to the load and especially new load.

8  
9 **HECO/HREA-IR-2 Ref: HREA Preliminary SOP, page 4.**  
10 **Please provide examples of "Demand-Side Distributed Generation" technologies.**

11  
12 HREA Response: "Demand-Side Distribution Generation" technologies include:

- 13  
14 • Net-energy metered renewables systems, such as wind, PV, hydro and biomass,
- 15 • Combined Heat and Power (CHP) systems located on the customer side of the meter,
- 16 and
- 17 • Other DG located on the customer side of the meter, e.g., diesel electric generators,
- 18 microturbines, fuel cells and battery/inverter systems.

19  
20 **HECO/HREA-IR-3 Ref: HREA Preliminary SOP, page 5.**  
21 **Please confirm that by the term "synonymous", HREA believes that there are no**  
22 **significant differences between "merchant generators", "Qualifying facilities", and**  
23 **"Independent Power Producers".**

24  
25 HREA Response: As noted on page 5 of our Preliminary SOP, the source of the definition of  
26 Independent Power Producer (IPP) is the Independent Energy Producers Association. HECO's  
27 question is well-taken, to the extent, that there are differences between the terms "merchant  
28 generator, cogenerator, non-utility generator, private power producer, Qualifying Facility (QF),  
29 and exempt wholesale generator." However, from the American Heritage Dictionary,  
30 synonymous is defined as:

31 "Having the *same* or a *similar* meaning: *synonymous words*. 2. Equivalent in  
32 connotation: 'a widespread impression that . . . Hollywood was synonymous with  
33 immorality' (Doris Kearns Goodwin)."

1 Thus, the IPP definition is correct, in our opinion, as merchant generator, cogenerator, non-  
2 utility generator, private power producer, Qualifying Facility (QF), and exempt wholesale  
3 generator are the *same* or *similar* in *meaning*, and each can be an IPP, i.e., they can all supply  
4 power to the utility.

5  
6 **HECO/HREA-IR-4 Ref: HREA Preliminary SOP, page 7 (lines 9 – 11)**  
7 **Please provide examples of how an improperly designed competitive bidding process**  
8 **can stifle innovation and competition.**

9  
10 HREA Response: There are a number of ways that an improperly designed competitive  
11 bidding process can stifle innovation and competition. For example, the process could be  
12 designed:

- 13 1. To include an unnecessarily complex or exclusive set of specifications for a power plant,  
14 such that only one bidder could respond satisfactorily, and
- 15 2. With a lack of an open and transparent evaluation criteria/review system that could lead  
16 to gaming and result in lack of true competition.

17  
18 **HECO/HREA-IR-5 HREA Preliminary SOP, page 9.**  
19 **HREA states “including reliability and safety requirements in the specifications for**  
20 **requests for proposals (RFPs) in competitive bidding”.**

21  
22 **a. Please identify each of the “reliability and safety requirements” that should be**  
23 **included in the specifications for requests for proposals.**

24  
25 HREA Response: HREA agrees that it is appropriate to specify desired levels of reliability  
26 and safety in the specifications for requests for proposals. These requirements could be used,  
27 if justified, as a threshold for bids and/or review criteria, e.g., proposals with higher reliability  
28 and safety would be scored higher. Overall, HREA believes it should be in everyone's interest  
29 to implement more reliable, safer systems on the grid.

30 However, “reliability and safety requirements” have to be taken in context with other  
31 requirements. For example, is the utility seeking bids for IPPs to:

1. Meet or exceed the reliability characteristics of a proposed new utility fossil generator or yield a system that will maintain overall System Average Interruption Frequency Index (SAIFI), System Average Interruption Duration Index (SAIDI), Monthly Average Interruption Frequency Index (MAIFI), etc. ratings at acceptable levels. There could also be more specific requirements reliability in terms of Mean Time Between Failure (MTBF), average capacity factor, availability, or other metrics for its proposed power plant, or the combination of all generation on its system. These reliability requirements could, along with other requirements, be a threshold for successful bidders and/or an evaluation criterion;
2. Provide renewables to meet the utility's RPS requirements? In this case, the primary measure of reliability and safety may be expressed indirectly in terms of the anticipated amount of kWh to be delivered to the grid annually. Consequently, it may not be necessary to specify a specific availability or other reliability requirement. Regarding safety, wind turbines historically were required to disconnect from the grid during faults to protect the system, customer loads and utility lineman. Today, those safety requirements have been replaced by a new requirement for windfarms to "ride through faults," i.e., stay connected to the grid for a specified period of time. In any case, there needs to be justification for reliability and safety requirements in power purchase agreements; and
3. Provide storage to provide a number of benefits to the grid? In this case, it may be appropriate to specify directly a number of reliability requirements, or indirectly, by specification of when the storage system's power output is needed. For example, the storage system may have a daily duty cycle that allows the utility to shave peak loads, support voltage, and provide spinning reserve and other benefits.

1 **b. Is it HREA's position that such "reliability and safety requirements" should be**  
2 **included in contracts with the successful bidder?**

3  
4 HREA Response: As noted above, HREA presented three different views of the needs and  
5 types of reliability and safety. Some of these requirements could be critical for systems  
6 designed to provide firm power to the grid, and also for as-available power. For example:

7 1. It is our understanding that existing firm power contracts with IPPs may have penalty  
8 clauses for various reasons, most of which may be related directly or indirectly to  
9 reliability and safety of IPP facilities. To the extent that the rewards for providing  
10 power when needed and rewards for failing to do so are mutually agreed upon, then  
11 HREA believes reliability and safety requirements should be included in contracts  
12 with the successful bidder; and

13 2. In the case of an as-available IPP source (such as wind or solar) to meet the utility's  
14 RPS, we believe there needs to be further clarification. For example, a developer  
15 will generally seek to install the most reliable, cost-effective wind turbine available.  
16 Consequently, it may not be necessary to specify, for example, the windfarm system  
17 availability. On the other hand, it may be appropriate for the developer to provide a  
18 baseline annual expected output (in kWhs) as part of the contract. This projected  
19 output, in turn, could be based on a combination of the anticipated site wind duration  
20 curve, turbine availability and other factors. Consequently, if the projected output  
21 was not met in a given year, it should be relatively straightforward to determine  
22 whether it was due a lack of wind turbine availability or wind, or due to other factors.  
23 We would like to consider this type of requirement further. For example, would the  
24 failure to meet predicted system availability become a basis for a penalty? We are  
25 not aware of case where this has been done elsewhere. Also, if the utility is not  
26 going to be subjected to a penalty, which is the current case with our RPS law, why  
27 should the windfarm owner/operator?

1 c. If the response to part b. is anything other than an unqualified "yes", please fully  
2 explain HREA's response.

3  
4 HREA Response: We believe the response to part b. is sufficient.  
5  
6

7 **HECO/HREA-IR-6 HREA Preliminary SOP, page 9.**

8 **HREA states "requiring competitive bidding on all new wholesale power facilities and**  
9 **retrofits to existing facilities." Please fully explain what the HREA means by "retrofits to**  
10 **existing facilities". As part of the response, please fully explain how a determination**  
11 **would be made as to whether a proposed project was a "retrofit" to an existing facility.**  
12

13 HREA Response: HREA was using the term "retrofit" to mean replacement of parts,  
14 devices, or equipment not available or in use at the time of the initial installation of an existing  
15 facility, such as a power plant. Retrofits could include replacement of a defective generator or  
16 replacement of an aging generator with a newer, more efficient unit, as opposed to scheduled  
17 maintenance.

18 However, there may not need to be a distinction between whether a proposed project is a  
19 retrofit, as compared to a scheduled maintenance activity. It may be more important to  
20 establish a dollar threshold above which competitive bids would be required.  
21

22 **HECO/HREA-IR-7 HREA Preliminary SOP, page 11.**

23 **HREA states the "utility provides the bidding baseline to independent contracting agent**  
24 **(ICA), selected and monitored by the PUC . . . ."**  
25

26 a. Please (1) list the process that would be used by the PUC to "select" the independent  
27 contracting agent, (2) identify the criteria that the PUC would look at to "select" the  
28 independent contracting agent, (3) identify the utility's role (if any) in the process to  
29 "select" the independent contracting agent, (4) provide the basis for HREA's  
30 responses to parts (1) through (3), and (5) provide a list of all public utility  
31 commissions that use the same process and/or criteria identified in parts (1) through  
32 (3).  
33

34 HREA Response:

35  
36 (1) Process for PUC to "select" the independent contracting agent. HREA anticipates that  
37 the PUC would solicit proposals from candidate individuals and companies to provide  
38 independent contract agent (ICA) services. The PUC would review proposals and select  
39 the ICA.

1 (2) Evaluation Criteria. HREA anticipates that the evaluation criteria would include:

- 2 i. Experience in utility power plant solicitations and evaluations (fossil sources),  
3 ii. Experience in utility power plant solicitations and evaluations (renewable sources),  
4 iii. Experience in utility power plant solicitations and evaluations (storage sources),  
5 iv. Experience and knowledge of Hawaii's utility systems,  
6 v. Proposed plan for conducting solicitations in Hawaii (fossil sources),  
7 vi. Proposed plan for conducting solicitations in Hawaii (renewable sources), and  
8 vii. Proposed plan for conducting solicitations in Hawaii (storage sources)

9 Note: it is conceivable that the PUC might want to hire more than one ICA, if it is  
10 desirable to have an ICA focus one type of resource

11 (3) Utility's role to "select" the ICA. HREA anticipates that the utility could provide the PUC  
12 with recommendations for potential individuals or companies to be placed on the PUC's  
13 bidder's list. Note: RFPs would be sent to all those parties on the bidder's list.

14 (4) Basis for HREA's responses to parts (1) through (3). HREA believes for Model 1 to  
15 work as proposed, the review of the industry proposals must be conducted by an ICA to  
16 preclude any perception of "conflict of interest" on the part of the utility. Furthermore,  
17 HREA believes procurement processes are well-established within the U. S. government  
18 and business communities. Finally, HREA believes the details of the solicitation and  
19 evaluation process and the utility's role can be "fleshed out" by the PUC.

20 (5) List of PUCs that use the same process and/or criteria identified in parts (1) through (3).

21 It was fairly common in the early 1990's for IPPs to compete against a proxy/default  
22 utility plant. Examples include Niagara Mohawk's bidding program, which was studied by  
23 the Department of Energy's Lawrence Berkeley Laboratory (LBL), Berkeley, California<sup>1</sup>.

24  
<sup>1</sup> C. Goldman, J.F. Busch, E. Kahn, S. Stoft, and S. Cohen, "Review of Integrated Resource Bidding at Niagara Mohawk," LBL-31667, April 1992. HREA has requested a copy of this report, which is not currently in a downloadable format, and will make it available to HECO and other parties.



1 **b. Please identify and explain the differences (if any) in the process and/or criteria**  
2 **provided in response to subpart "a" in the "Model 2" scenario discussed on page 12**  
3 **of HREA's SOP. If there are differences in the process and/or criteria in the "Model**  
4 **2" scenario, provide a list of all public utility commissions that use the same process**  
5 **and/or criteria identified in this response.**

6  
7 HREA Response: HREA does not envision, at the present time, any differences in the  
8 process and/or criteria provided in response to subpart "a" in the "Model 2" scenario discussed  
9 on page 12 of HREA's SOP.

10  
11 **HECO/HREA-IR-8 Ref: HREA Preliminary SOP, page 11.**  
12 **Please provide a list of other jurisdictions where the Model 1 process has been used.**  
13 **Please identify the docket number and year, if known, in the response.**

14  
15 HREA Response: As noted in our response to HECO/HREA-IR-7, it was fairly common in  
16 the early 1990's for IPPs to compete against a proxy/default utility plant in a competitive bidding  
17 process. Examples include Niagara Mohawk's bidding program, which was studied by the  
18 Department of Energy's Lawrence Berkeley Laboratory (LBL), Berkeley, California. HREA has  
19 requested a copy of this report and will make it available to HECO and other parties.

20  
21 **HECO/HREA-IR-9 Ref: HREA Preliminary SOP, page 11.**  
22 **a. Is it HREA's position that the Independent Contracting Agent (ICA) evaluates the bids**  
23 **and makes a recommendation for project award to the PUC without input and**  
24 **approval by the utility?**

25  
26 HREA Response: Yes. However, we remain open to further discussion on this question.

27  
28 **b. Is the ICA liable to the utility's customers if any ICA recommendations made to the**  
29 **PUC result in near-term or long-term harm to ratepayers?**

30  
31 HREA Response: We cannot answer this question completely without a definition of "near-  
32 term or "long-term harm to ratepayers." In general, since the ICA would be providing consultant  
33 services to the PUC, we do not believe the ICA would be liable. For example, are consultants  
34 that provide professional services to the utility held liable for their recommendations? We do  
35 not think so.

1 **c. What experience and capabilities must an ICA possess, in order to serve in this role?**

2  
3 HREA Response: Our response is the same as to a similar question posed in part a. of  
4 HECO/HREA-IR-7.

5 **d. Who pays for the cost of the ICA?**

6  
7 HREA Response: The PUC.

8  
9 **HECO/HREA-IR-10 Ref: HREA Preliminary SOP, page 12.**

10 **HREA states "The PUC reviews and approves the ICA recommendation for the project**  
11 **award."**

12  
13 **a. Please (1) list the process that would be used by the ICA to recommend the awarding**  
14 **of a project, (2) identify the criteria that the ICA would use to recommend the**  
15 **awarding of a project, (3) provide the basis for HREA's responses to parts (1) through**  
16 **(2), and (4) provide a list of all public utility commissions that use the same process**  
17 **and/or criteria identified in parts (1) through (2).**

18  
19 HREA Response:

20  
21 **(1) Process for ICA to recommend award.** HREA anticipates there could be several  
22 suitable approaches for the process by which the ICA would recommend the awarding  
23 of a project to the PUC. For example, one possible viable approach would be the  
24 ranking of proposals based on the quantitative scoring of bids based on the evaluation  
25 criteria, which are weighted with respect to each other. The ICA would then make a  
26 recommendation based on the quantitative scoring and any non-quantitative criteria  
27 considered. In any case, since there could be additional viable approaches, HREA  
28 anticipates that the PUC would select the ICA in part, based on the specific approach  
29 proposed by the winning bidder on the ICA RFP.

30 **(2) Evaluation Criteria that the ICA would use to recommend a project.** HREA anticipates  
31 that the evaluation criteria would include:

- 32 i. Experience in utility power plant solicitations and evaluations (fossil sources)  
33 ii. Experience in utility power plant solicitations and evaluations (renewable sources)  
34 iii. Experience in utility power plant solicitations and evaluations (storage sources)

1 iv. Experience and knowledge of Hawaii's utility systems

2 v. Proposed plan for conducting solicitations in Hawaii (fossil sources)

3 vi. Other Factors

4 Note: in the scenario presented above, criteria "i. to v." would be scored quantitatively,  
5 while criterion "vi." most likely would not be scored quantitatively. As discussed in part  
6 (1) above, one approach would be for the ICA to make a recommendation based on the  
7 overall quantitative score (assuming that the quantitative criteria would be weighted), as  
8 modified by the non-quantitative "Other Factors."

9 (3) Basis for HREA's response to parts (1) and (2) above. The basis for HREA's response  
10 to parts (1) and (2) above is experience of individual members in soliciting and  
11 evaluating proposals in competitive bidding processes, and making recommendations  
12 for approval of one or more projects.

13 (4) List of PUCs that use the same process and/or criteria identified in parts (1) through (3).

14 HREA cannot provide a detailed response to this question at the present time, and  
15 reserves the right to respond after we have a chance to obtain and review the report  
16 requested from Lawrence Berkeley Laboratory (See footnote 1). However, HREA would  
17 like to observe that we may or may not be able to benefit from competitive bidding  
18 experiences in other jurisdictions. As the utility has frequently noted, the situation in  
19 Hawaii is different from that on the mainland. While we may be able to benefit from  
20 experience from other jurisdictions outside of Hawaii, HREA believes that the solution  
21 we seek could be based in large part on the experience and approach of KIUC's  
22 predecessor Kauai Electric and that may be all the precedent we need.

23  
24 **b. Please (1) list the process that would be used by the PUC to approve the awarding of**  
25 **a project, (2) identify the criteria that the PUC would use to approve the awarding of a**  
26 **project, (3) provide the basis for HREA's responses to parts (1) through (2), and (4)**  
27 **provide a list of all public utility commissions that use the same process and/or**  
28 **criteria identified in parts (1) through (2).**  
29

1 HREA Response: In addition to our response to part a., HREA anticipates that the PUC  
2 would use the same or a similar approach as it does in its review and award of IPP PPAs and  
3 other relevant matters

4  
5 **c. Please identify and explain the differences (if any) in the process and/or criteria**  
6 **provided in response to subparts “a” and “b” in the “Model 2” scenario discussed on**  
7 **page 12 of HREA’s SOP. If there are differences in the process and/or criteria in the**  
8 **“Model 2” scenario, provide a list of all public utility commissions that use the same**  
9 **process and/or criteria identified in this response.**

10  
11 HREA Response: HREA does not envision, at the present time, any differences in the  
12 process and/or criteria provided in response to subpart “a” in the “Model 2” scenario discussed  
13 on page 12 of HREA’s SOP.

14  
15 **HECO/HREA-IR-11 Ref: HREA Preliminary SOP, page 13.**

16 **a. Please provide a detailed explanation of what HREA means by the following**  
17 **statement “HREA recommends that separate competitive bidding processes be**  
18 **implemented for fossils, renewables and storage, i.e. a fossil-only vs. a renewable**  
19 **only vs. a storage-only?”**

20  
21 HREA Response: HREA believes competitive bidding for wholesale power should be  
22 implemented as part of and in coordination with IRP. For example, in IRP specific resources or  
23 resource types will be identified as desirable for implementation to meet existing and  
24 anticipated customer demand. The following factors, in our opinion, make it desirable to  
25 conduct separate solicitations:

- 26  
27 1. Differing requirements. For example, if the solicitation is for both firm fossil and as-  
28 available renewables, it will be difficult, in our opinion, to design an evaluation process  
29 that would be equitable. Furthermore, it is likely that you would need separate reviewers  
30 for the fossil and the renewables. Therefore, it would be more efficient, in our opinion, to  
31 separate the solicitations. Of course, there is one notable exception to this example. A  
32 solicitation for firm power could be an all-sources bid, given that there are firm  
33 renewables and storage technologies that could meet firm power requirements;

1        2. Focused requirements. For example, consider a solicitation to select cost-effective  
2        renewable resources to meet our RPS. In this case, the requirements are sufficiently  
3        focused, and the solicitation for renewables should be separate from fossils and  
4        storage. Another example of a focused requirement would be a solicitation to provide for  
5        specific storage benefits, such as peak shaving; and

6        3. Differing timelines. For example, there may be a situation when a specific source (e.g.,  
7        firm power) is needed as soon as possible, while another (e.g., renewable) a few years  
8        from now on one of our island grids. There is also the opposite possibly, i.e., firm power  
9        is not needed now, but renewables are. This suggests that some specific source  
10       solicitations may need to be time-phased and by the desired focused requirement.

11  
12       **b. Does this mean that HREA favors targeted solicitations using separate bid**  
13       **documents and done at different times?**

14  
15       HREA Response: Yes.

16  
17       **i. If so, what are the conditions under which each type of competitive bidding**  
18       **process is undertaken?**

19  
20       HREA Response: HREA supports the competitive of all sources as the preferred option in  
21       coordination and as part of IRP.

22  
23       **HECO/HREA-IR-12     Ref: HREA Preliminary SOP, page 13, lines 19-21.**

24       **a. Please explain what HREA means by the reference “an agreement to gain access to**  
25       **the project site”.**

26  
27       HREA Response: “An agreement to gain access to the project site,” is necessary if the  
28       developer does not own the project site. Such an agreement can be either a lease or an  
29       easement for access to the site during the construction and operation of the project.

30       **i. Does this mean a bidder has to own a site or secure a letter of intent? Please**  
31       **explain the level of site control anticipated at this point.**

32  
33       HREA Response: It is possible that a bidder may own a site, e.g., a sugar plantation that is  
34       bidding to expand its power production capacity. In other cases, a developer may be seeking a

1 lease on the project site. During the bidding process, the point at which the developer is in the  
2 process could be used as an evaluation criterion. For example, a proposal for a project site that  
3 is owned or under lease by the bidder would receive a higher score for that criterion, than a  
4 bidder that is in the process of negotiating a lease, etc. Consequently, the level of site control  
5 is not really "anticipated at this point," but obviously a higher level of control is desired.

6  
7 **b. Please explain the process if the time period specified proves to be inadequate for**  
8 **obtaining site access, permits, environmental review and other authorizations?**  
9

10 HREA Response: HREA thanks HECO for this is an important question. We are not sure  
11 there is one answer. For example:  
12

13 1. Firm Fossil Facility. In this case, assume that competitive bids would be solicited from  
14 IPPs to compete against a proxy/default utility plant on a site that was already identified,  
15 such as the Kahe power plant on Oahu. The winning bidder, utility or non-utility, would  
16 be selected, in part, based on their approach and schedule for site access, permits,  
17 environmental review and other authorizations. HREA assumes that the winning bidder  
18 would proceed on a "best effort" basis. The real question is what happens if the  
19 schedule slips? Would there be consequences? For example, perhaps there could be  
20 contractual or regulatory financial incentives for meeting or beating the schedule and  
21 penalties for failing to meet the proposed schedule; and

22 2. As-Available Renewables. In this case, HREA believes award of multiple projects may  
23 be the best hedge against schedule slips. For example, assume it is determined in IRP  
24 that one 10 MW windfarm is needed by 2010, and two bids for purchase power are  
25 found to be acceptable. If both are awarded, there would be a higher probability of  
26 success. If both projects come on-line by 2010, there would be the benefit of achieving  
27 the 2010 requirement and a portion of the next incremental requirement. As noted  
28 above, perhaps the PUC could consider financial incentives for meeting or beating the  
29 schedule and penalties for failing to meet the proposed schedule.

1  
2 **c. Who will bear the risk related to system reliability for a failure to obtain appropriate**  
3 **authorizations within the specified time period?**  
4

5 HREA Response: the ratepayers as they do now, regardless of who is developing a new  
6 power plant.

7  
8 **HECO/HREA-IR-13 Ref: HREA Preliminary SOP, page 14.**

9 **a. Does HREA agree that Hawaii has certain unique factors (e.g., lack of**  
10 **interconnection, no spot market for electricity), which can influence the**  
11 **implementation of Competitive Bidding in Hawaii? Please explain your response.**  
12

13 HREA Response: Possibly. However, there are other island grids on the mainland that  
14 have similar factors to consider as does Hawaii. For example, there are island utilities in Alaska  
15 and New England, as well as isolated grids such as Clayton, New Mexico. The factors, if any  
16 are truly unique to Hawaii, will be expressed both the system requirements and the evaluation  
17 criteria for solicitation and selection of a specific resource.

18  
19 **b. If HREA does agree that Hawaii has certain unique factors which can influence the**  
20 **implementation of Competitive Bidding in Hawaii, what Hawaii-specific factors need**  
21 **to be considered in designing the Competitive Bidding process (i.e., that would be**  
22 **absent from a "review of lessons learned from other jurisdictions")?**  
23

24 HREA Response: As noted above, HREA believes it may be possible that "Hawaii has  
25 certain unique factors which can influence the implementation of Competitive Bidding in  
26 Hawaii." However, at the present time, we cannot think of any.

27  
28 **HECO/HREA-IR-14 Ref: HREA Preliminary SOP, page 15, lines 15-19.**

29 **Is it HREA's position that the terms and conditions of the contract should be non-**  
30 **negotiable? Please fully explain HREA's response.**  
31

32 HREA Response: HREA assumes that HECO is asking whether the terms of a Standard  
33 Offer Contract (SOC) are non-negotiable. If that is the correct assumption, the answer is "yes."  
34 HREA believes the essence of a SOC is that a developer would review and accept the terms  
35 and conditions and sign the SOC "as is", and that the utility would be obligated to sign the SOC  
36 and forward it to the PUC for approval.

Furthermore, and this is extremely important, the utility could not impose additional terms and conditions without concurrence from the developer. Likewise, the developer could propose modifications to the SOC, but the utility would have to concur, then sign the modified SOC and forward to the PUC for review and approval.

**HECO/HREA-IR-15 Ref: HREA Preliminary SOP, page 18.**

**a. Is it the position of HREA that DSM resources should be part of the competitive bidding process? Please fully explain HREA's response.**

HREA Response: HREA thanks HECO for this important question. HREA supports competitive bidding for DSM resources. However, since the subject matter for the instant docket is wholesale power, we believe this question is more appropriate for Docket No. 05-0069 (Hawaiian Electric Company, Inc., For Approval and/or Modification of Demand-Side and Load Management Programs and Recovery of Program Costs and DSM Utility Incentives).

**b. If so, how should bidding for DSM resources be implemented (i.e., as part of an all-source solicitation or part of a targeted solicitation)?**

HREA Response: See response to part a.

**c. Please describe in detail how HREA proposes DSM resources be evaluated relative to supply-side resources.**

HREA Response: See response to part a.

**d. Please provide examples of DSM bidding programs in other states that can serve as models for Hawaii and provide the reasons such programs may be applicable for Hawaii**

HREA Response: See response to part a.

**e. Please describe in detail how utilities can be sure that the expected savings proposed by bidders through a competitive bidding process are actually being achieved.**

HREA Response: See response to part a.

**f. Identify DSM contract provisions and measurement and verification methods that can be applied to ensure the measures are reliable and provide the savings proposed.**

HREA Response: See response to part a.



1 **HECO/HREA-IR-16 Ref: HREA Preliminary SOP, page 19, lines 13-17.**

2 **a. Please describe in detail the role of the Advisory Group in the competitive bidding**  
3 **process and as proposed by HREA.**

4  
5 HREA Response: HREA thanks HECO for this important question. In our Preliminary SOP,  
6 we proposed improvements to IRP, including the use of competitive bidding to select resources  
7 for the 5-year action plan. Building on that discussion, we would now like to make some  
8 specific recommendations with respect to the role of the Advisory Group in the competitive  
9 bidding process. Specifically, the Advisory Group should review and comment on the:

- 10 1. design and phasing of solicitations to support IRP as proposed in the screening and  
11 evaluation of fossil, renewable and storage resources;<sup>2</sup>
- 12 2. system specifications and evaluation criteria for individual solicitations;
- 13 3. recommendations of the ICA. Note: the recommendations should be presented in a  
14 way that does not reveal data and information considered to be "proprietary" or  
15 "confidential" by the bidders. For example, the ICA could present a list of the  
16 bidders, indicating those that made acceptable bids and their relative ranking, and a  
17 list of strengths and weaknesses of their proposals.

18 Note: HREA suggests that all Advisory Group members be required to sign non-  
19 disclosure statements, in part, to ensure that there be no private release of information  
20 from any Advisory Group, and that any public release of information is from the PUC. In  
21 addition, to prevent potential "conflicts of interest," it may be necessary that some  
22 Advisory Group members recuse themselves in some cases.

---

<sup>2</sup> Reference: HREA Preliminary SOP, page 17.

**b. Please list other jurisdictions which incorporate an Advisory Group process in their Competitive Bidding proceedings.**

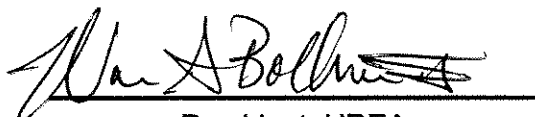
HREA Response: HREA has identified 19 states,<sup>3</sup> in addition to Hawaii, that are implementing IRP. These are Arizona, Colorado, Florida, Georgia, Idaho, Indiana, Iowa, Maine, Massachusetts, Michigan, Missouri, Montana,<sup>4</sup> Nevada, New Mexico, Oregon, Utah, Washington,<sup>5</sup> Wisconsin and Wyoming. Of those, only Montana and Washington incorporate an Advisory Group in their IRPs. In both cases, the Advisory Groups provide advice to the utility and PUC on the competitive bidding process, e.g., the review and comment on the specifications and requirements and evaluation criteria for solicitations.

\*\*\*\*\*

END OF HREA's RESPONSE TO HECO INFORMATION REQUESTS

\*\*\*\*\*

DATED: April 28, 2005, Honolulu, Hawaii

  
President, HREA

<sup>3</sup> Reference: IRP surveys conducted by the Regulatory Assistance Project. See <http://www.raonline.org/TopicBrowser.asp?select=55&Submit2=Submit&SortOn=Title%2C-DocumentDate>

<sup>4</sup> Personal Communication: Kate Whitney, Montana Public Service Commission, April 28, 2005.

<sup>5</sup> Personal Communication: Yohannis Marian, Washington Utilities and Transportation Commission, April 28, 2005.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Information Requests upon the following parties by causing a copy hereof to be hand-delivered or mailed, postage prepaid, and properly addressed the number of copies noted below to each such party:

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Dated: April 28, 2005

  
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